



This strategic insight of finding the right comps is crucial to market expertise in real estate, allowing you to make informed decisions and stay ahead of the game.

But how do you find these comps? The process may seem intricate to a newcomer, but it's straightforward with the proper steps. There is a systematic approach to uncovering and understanding real estate comps:

1. Detail the Property's Features & Amenities
2. Research Recent Sales Of Comparable Properties
3. Refine Your Selection
4. Dive Deeper Into The Details
5. Crunch The Numbers

1. Detail the Property's Features & Amenities

Equip yourself with a comprehensive understanding of the property's unique features, which are the foundation of its value. Begin by documenting all key specifications of the subject property, such as its location, total square footage, lot size, and the number of bedrooms and bathrooms. Also, take into account any specific amenities it offers, like a swimming pool, a fireplace, a renovated kitchen, or a waterfront view. This knowledge will empower you, putting you in the driver's seat and enabling you to make confident decisions about the property's value.

Delve deeper, considering nuances that could significantly impact the valuation. Factors like the quality of area schools, the convenience of nearby public transit, or the availability of recreational spaces like parks can all play pivotal roles in property desirability and, therefore, its market value. This thoroughness is key to your success in the process.

2. Research Recent Sales Of Comparable Properties

Once you've mastered the art of detailing the property's features, it's time to move on to the next crucial step: researching recent sales of comparable properties. This is not a task to be taken lightly. Thoroughly

scour the market for properties with similar characteristics that have recently been sold, with a focus on 'Sold' properties. This status is crucial as it provides a clear picture of the property's market value, contrasting the initial listing price with the final settled transaction amount. Your diligent research in this step will ensure accurate comparisons and informed recommendations.

As you delve deeper into the process, it's important to maintain a hyper-local focus. This means your research should be centered on properties within the same vicinity and dimensions that are plus or minus 15% of the subject property's dimensions. This level of specificity is crucial to ensure the comparables are truly comparable, aiding in making accurate assessments. Additionally, stay consistent with the property type—when assessing the value of a single-family home, for example, draw comparisons exclusively with other single-family homes rather than branching out to condos or villas. Pay close attention to amenities, like parking or the quality of neighborhood facilities, as these can significantly impact the property's value.

Prioritize properties sold within the last six months. However, suppose the local real estate scene is on the slower side. Extending your reference frame beyond this six-month benchmark might be necessary in that case.

3. Refine Your Selection

Now that you have your list of potential comps, it's time to scrutinize each to determine those most similar to the subject property. Consider, for example, two similar-sized homes and interior finishes located within the same school district with in-ground pools. Less than a quarter-mile apart, their proximity would typically signify equivalent values. On the other hand, if the property under evaluation stands out distinctly from its neighbors or finds itself in a more rural or less densely populated setting, you can afford to be more flexible in determining comparables. This means broadening your criteria slightly to capture a more diverse range of properties that can still provide relevant insights.

4. Dive Deeper Into The Details

Specific differences can considerably influence a property's value. For example, one property might be exceptionally charming, nestled on a quiet cul-de-sac with a stunning exterior. In contrast, another with similar features might be positioned near a noisy highway, diminishing its appeal.

5. Crunch The Numbers

After selecting your comps, it's time to examine the numbers. Compare the sale prices to establish an initial gauge of the potential market value of the subject property.

To further refine your estimate, a popular metric to consider is the Price Per Square Foot (PPSF). To compute this:

- Divide the sale price of each comp by its total square footage (this gives you the PPSF for each property).
- Calculate the average PPSF from all your chosen comps.
- Multiply the average PPSF by the square footage of the subject property.

For instance, let's say the PPSF of your selected comps is \$210, \$225, \$230, and \$240. The average PPSF is \$226.50. If the subject property is 1,900 square feet, then, using the PPSF method, its estimated value would be around \$430,350.

This calculation method can provide a more grounded estimate of the property's market value.

Now, let's map out our streamlined method to navigate MLS comps:

- **Prioritize Sold Properties:** To reflect the market's pulse, focus on recently sold properties rather than active listings. Current listings might deviate from genuine market values due to strategic pricing.
- **The Real-World Tour:** Consider an on-site visit. Observing a property's environment and amenities can illuminate its appeal, impacting the listing price.
- **Evaluate Listing Photos:** Look closely at MLS photos. They can provide insights into the expected standard of appliances, flooring, and fixtures for the property's price range.
- **Gauge the location:** Location is paramount. Utilize Matrix and Realist's map tools to determine the neighborhood's quality and assess its proximity to amenities, greatly influencing listing prices.
- **Review AVMs (Automated Valuation Models):** Tools like the Realist Sale Score provide valuable metrics on estimated property values and their potential trajectory. These figures also echo public sentiments about market trends.
- **Write a detailed property description:** List the property's features, ranging from its position in the neighborhood to its size, condition, and unique attributes. This blueprint aids in identifying congruent properties.
- **Research:** A real estate agent's expertise is vital here. Select properties resembling the subject property regarding features, size, and other parameters. The closer the match, the more accurate the comp.
- **Decipher the Price Per Square Foot:** You'll have a reliable metric by averaging the price per square foot from various comps. This value, multiplied by the subject property's total square footage, furnishes a ballpark property value.
- **Incorporate Unique Features:** Once the property's preliminary value is gauged, adjust for specific elements or discrepancies not covered in general comps.
- **Determine the Listing Price:** You're primed to set your listing price after researching. Remember, aligning this value with prevailing market conditions, property attributes, and the deduced value is essential. Confident pricing stems from robust research corroborated by credible data.

Why Are Real Estate Comps Important?

Understanding a property's market value is pivotal, mainly if you aim to achieve the best sale price. This is why real estate comps matter. They are a cornerstone for assessing a property's present and future worth, making them a must-have tool for real estate professionals.

Here's why real estate comps are vital:

- **Current Market Insights:** Real estate comps offer a snapshot of the existing market, allowing you to gauge the competitiveness of an offer. With accurate comps, every property offer can be evaluated against current market trends.

- **Predicting Future Value:** Real estate comps can forecast how much renovations might uplift a property's value. Analyze recently renovated homes nearby to identify the potential financial benefits of specific upgrades.
- **Guidance on Value-Boosting Renovations:** If you often ask, "Which enhancements will bolster a home's value?" comparables can answer. Examining renovated properties nearby reveals the sought-after features and corresponding sale prices, offering insights into fruitful renovation choices.
- **A Must-Have Tool for Professionals:** Understanding the potential worth of a refurbished property is essential for real estate professionals, especially investors. This projected post-renovation value is called the ARV or After-Repair Value. Other synonymous terms include After-Renovated-Value, After-Remodeled-Value, and After-Rehabbed-Value.

By harnessing the insights offered by comps, you can make informed decisions and ensure that properties are correctly priced for the market.

What To Consider When Finding Real Estate Comps

Finding the most relevant real estate comps is a nuanced process. While pulling recently sold homes in the vicinity might be tempting, there's a science to the selection. To increase accuracy, ensure you're giving weight to these factors:

- **Proximity:** Start by zeroing in on the immediate neighborhood. Limit your search to homes within a quarter to a half-mile radius, ensuring consistent environmental and societal influences.
- **Square Footage Price Analysis:** Divide the sale price by the home's square footage to get the Price Per Square Foot (PPSF). This gives an objective metric to compare across homes, highlighting the price weightage given to space.
- **Recent Sales Only:** Real estate trends can shift in a matter of months. Ideally, look for homes sold in the last 3 to 6 months. Narrowing this window further can be beneficial in volatile markets.
- **Similar Size:** It's crucial to compare apples to apples. Look for homes within the subject property's square feet range(plus or minus 15%) to ensure size-based valuation accuracy.
- **Condition & Renovations:** A property's state can significantly affect its value. Upgrades, such as a fresh coat of paint or a revamped kitchen, can increase a home's value. Always factor in the condition and any renovations when selecting comps.
- **Bedrooms and Bathrooms:** The value of a two-bedroom home and a four-bedroom home can vastly differ. Ensure the homes you're comparing have a similar number of bedrooms and bathrooms. Try to find homes with an equivalent number of beds and baths to avoid making adjustments to the subject property's value.
- **Construction Era:** A vintage home may not be directly comparable to a new build, even if they share other features. Aim for homes constructed around the same time.
- **Neighborhood Amenities:** Proximity to conveniences like shopping, scenic views, or public transportation can influence a home's attractiveness and, by extension, its value. Ensure the comps you select share these neighborhood characteristics.

- **Local Schools & Transportation:** The quality of nearby schools can be a deal-maker or breaker, especially for families. Similarly, easy access to public transportation can be a significant boon in urban areas. Realist provides valuable insights into area schools.

Comp Search Criteria & Example:

- **Half Mile Radius from Subject Property**
- **Previous 6-Month Sales to Current Day Sales**
- **+/-15-20% of the Square Footage of the Subject Property**
- **Same Bed/Bath count, or as similar to the Subject Property as possible**

Comp Search Example:

The subject property is a 1,200 sq. ft., three-bedroom, two-bath property, and you want to find its ARV (After-Repair Value) to determine its future value.

- In Matrix or Realist, use the above search criteria – enter the subject property’s address and use the map tools to find properties within a half-mile radius.
- Modify the search criteria to include Active, Sold, and Pending listings within the past six months.
- Ensure the initial search criteria for square footage is within +/-15-20% of the subject property. In this example, the subject property is 1,200 sq. ft. - this means you would only look for properties between 1,000 sq. ft. & 1,400 sq. ft. Additionally, you do not want to use comparables with a different bed and bath count than your subject property. Since your subject property has three beds and two baths, you want to find comparable properties with three beds / 2 baths to avoid adjusting the subject property.

View search results

Now, use comparable properties that have been renovated to current market trends to determine the future sales price of the home for your subject property when it is renovated. Let's say you find a 1,112 sq. ft. three bed / 2 bath remodeled home sold for \$390,000 two months ago on the same street as your subject property. And then, you also find a 1,300 sq. ft. three bed / two bath home sold for \$410,000 1 month ago on the same street as your subject property.

Take the average of those two comparable home sales and determine that your subject property's ARV, once it has been renovated, will be around \$400,000.

What If You Find No Comparable Properties?

Here's what to do in this scenario:

- Expand the half-mile radius property search a little wider to .75 mile radius
- Expand from looking for properties within the past six months to 9 months
- Expand from looking for properties within +/-15-20% of the square footage of the subject property to +/-25 to 30% of the square footage of the subject property
- Expand from looking within the exact Bed/Bath count to more/less Beds & more/less Baths

Remember that the less "comparable" property is to your subject property in terms of square footage, location, bed/bath count, and features, the less it should be used as a completely accurate representation of the future value of your subject property!

Many real estate professionals wonder, "How Do I Get Better At Finding Comps?" We answer that nothing replaces **DOING THE WORK**. Over time, you will get a better eye for seeing why properties sell at specific prices and the potential value of your subject properties.

Final Thoughts

Real estate comps are instrumental in deciphering a property's true worth. By mastering the intricacies of pulling and analyzing comps, seller and buyer agents can help clients make more informed decisions, maximize investments, and ensure they don't undervalue or overpay.

Knowledge is power; in real estate, this power translates to tangible profits and optimal investments.